

TEACHERS' RETIREMENT BOARD

REGULAR MEETING

SUBJECT: Approval of Minutes December 6, 2001

ITEM NUMBER: 2

ATTACHMENT(S): 1

ACTION: X

DATE OF MEETING: February 7, 2002

INFORMATION: _____

PRESENTER(S): Chairperson

Please see the attached minutes of the December 6, 2001, meeting of the Teachers' Retirement Board.

PROPOSED
MINUTES OF THE
TEACHERS' RETIREMENT BOARD
OPEN SESSION
THURSDAY, DECEMBER 6, 2001
CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
BOARD ROOM
7667 FOLSOM BOULEVARD
SACRAMENTO, CALIFORNIA 95826

BOARD MEMBERS PRESENT

Gary Lynes, Chairperson
Paul Krasnow
George Fenimore
Marty Mathiesen
Karen Russell
Jay Schenirer
Carolyn Widener
Annette Porini, representing the Director of Finance, B. Timothy Gage
Louis Willhoit, representing the State Controller, Kathleen Connell
Curt Robinson, representing the Superintendent of Public Instruction, Delaine Eastin
Jennifer DuCray-Morrill, representing the State Treasurer, Philip Angelides

OTHER BOARD MEMBERS PRESENT

Christine Solich, representative for the State Treasurer, Philip Angelides

STAFF PRESENT

James D. Mosman, Chief Executive Officer
Christopher Ailman, Chief Investment Officer
Christopher Waddell, Chief Counsel
Elleen Okada, Director, Investment Administration and External Relations
Peggy Plett, DCEO, Administration
Michael Carter, DCEO, Client Benefits and Services
Laurence Martin, DCEO, Information and Financial Systems
Ed Derman, DCEO, External Affairs and Program Development
Ken Costa, START Project Director
Bill Hobbs, START IT Manager
Frank Werry, Chief, Information Technology Services
Ted Hynson, Chief, Administrative Services
Mary Miles, Administrative Assistant

OTHERS PRESENT

Pat Geyer, CRTA	Susan Goff, CRTA
Ellen Logue, CTA-R	Edna White, CRTA
Michael Green, CTA	Steve DePue, CTA
Bev Carlson, CTA	Lois Shive, CTA
Loretta Toggenburger, UTLA-R	Elizabeth Mackenzie, CRTA
Dorothy Moser, CTA/NEA-R	Bill Collins, CTA

A quorum being present, Chairperson Lynes called the meeting to order at 12:10 p.m.

II. **APPROVAL OF MINUTES OF NOVEMBER 8, 2001**

MOTION duly made by Mr. Mathiesen, seconded by Ms. Russell, and carried to approve the minutes of the November 8, 2001. Mr. Schenirer abstained.

III. **ANNOUNCEMENTS**

Chairperson Lynes read resolutions for Ken Costa, Pete Hough, and Jim Mosman. Ms. Carlson made a presentation on behalf of the California Teachers Association to Mr. Hough for the communication network he developed through the Client Advisory Committee meetings and his support for teachers. Ms. Carlson also made a presentation to Mr. Mosman on behalf of CTA in appreciation for all he has done for the teachers.

IV. **COMMITTEE REPORTS**

INVESTMENT COMMITTEE: Mr. Lynes, Chairperson of the Investment Committee, reported the Committee adopted the revised Real Estate Policy with policy changes, and received a report on Currency Hedging, and Activity Status Reports on Credit Enhancement, Real Estate, Alternative Investments, and the Chief Investment Officer's report.

BY CONSENSUS, the report of the Investment Committee was accepted.

EXECUTIVE COMPENSATION COMMITTEE: Mr. Fenimore, Chairperson of the Executive Compensation Committee, reported the Committee received a proposed participant list for the Executive Compensation Study from Watson Wyatt and the final report will be presented to the Committee in February.

BY CONSENSUS, the report of the Executive Compensation Committee was accepted.

BUDGETS AND AUDITS COMMITTEE: Mr. Fenimore, Chairperson of the Budgets and Audits Committee, reported the Committee directed staff to take no further action on the Proposed Budget Control Language, approved the Report on Audits of Combined Financial Statements and Supplemental Information as of June 30, 2001, and for the Year Then Ended, and the Report to Management and Annual Communications for the Year Ended June 30, 2001. The Committee also received 2001/2002 Budget Status Update, and a School District Final Report.

BY CONSENSUS, the report of the Budgets and Audits Committee was accepted.

BENEFITS AND SERVICES COMMITTEE: Ms. Russell, Chairperson of the Benefits and Services Committee, reported the Committee adopted the staff recommendation for Sylvia S. Duke, Request to Change Effective Date of Retirement – Granted, and Kim Shane, Effective Date of Disability Allowance – Denied. The Committee also adopted the Terms and Conditions for Rollover to the State Teachers' Retirement Plan, reviewed the Warrant Stub Messages for January and February 2002, and reviewed the Level of Service Standards.

BY CONSENSUS, the report of the Benefits and Services Committee was accepted.

V. **CHIEF EXECUTIVE OFFICER REPORT**

Mr. Mosman thanked the Board, staff, and the member organizations for the help and support he has been given throughout his tenure at CalSTRS.

VI. **UPDATE ON LEGISLATION**

STATE: Mr. Derman presented two legislative proposals for the Board's consideration.

2002-1: Use of Projected Service to Qualify for Benefit Enhancements. Ms. DuCray-Morrill suggested that a minimum threshold of at least two years be included in the legislative proposal. Ms. Carlson, CTA, agreed with allowing teachers to retire mid-season, but did not agree with the minimum threshold of two years.

MOTION duly made by Ms. DuCray-Morrill and seconded by Ms. Widener, and carried to approve Proposed Legislation 2002-1 with direction to staff to come back with a full analysis of including a minimum threshold requirement. Ms. Porini and Mr. Krasnow abstained.

2002-2: Modify the Prohibition on Investments in Employers' Securities, Real Property and Loans.

MOTION duly made by Ms. Widener, seconded by Ms. Russell, and carried to approve the modification on Investments in Employers' Securities, Real Property and Loans. Ms. Porini abstained.

Ms. DuCray-Morrill requested staff revisit Senate Joint Resolution 9, which requests Congress to initiate a federal list of investment and businesses that pose a threat to the national security, in light of the September 11 events.

Staff was asked to provide an update on the number of districts still needing to conduct the Medicare Election.

FEDERAL: Mr. Derman reported the President's Commission on Social Security Reform would be meeting on December 11th to discuss a draft report, but it was not clear if Mandatory Social Security would be covered, and efforts were underway to secure signatures from the US Senate in opposition to Mandatory Social Security. Ms. Widener asked whether CalSTRS had any relationships with financial industry entities that were supporting private accounts in Social Security. Mr. Ailman stated that in the past State Street Bank and Trust was extremely active in support, but has recently moved to a more neutral stance and will not be active in pursuing privatization

VII. **TRAVEL**

MOTION duly made by Mr. Fenimore, seconded by Mr. Robinson, and carried to approve staff travel for Mr. Derman to attend the NCTR Legislative Committee Meeting in Washington, D.C., and Mr. Waddell to attend the NAPPA meeting in Washington, D.C. Mr. Willhoit voted no.

MOTION duly made by Ms. Russell, seconded by Mr. Fenimore, and carried to approve the travel summaries as presented.

VIII. **DEFINED BENEFIT SUPPLEMENT (AB 1509) PROJECT UPDATE**

Mr. Costa and Mr. Hobbs presented this item and reported staff has not had enough time to thoroughly analyze the business rules and requirements for the Defined Benefit Supplement Program as it will affect the majority of the Start processes. A core project team has been established and another approach to the design and implementation of the Defined Benefit Supplement Program would be brought back in February, and an interim process has been developed allowing payments to be made in January. Mr. Mosman warned the Board of the magnitude of the project that may have a multi-million dollar cost.

IX. **DRAFT AGENDA FOR THE DECEMBER REGULAR MEETING**

Staff was directed to include the Defined Benefit Supplement Project.

X. **OPPORTUNITY FOR STATEMENTS FROM THE PUBLIC**

There were no statements from the public.

XI. **MOVED TO CLOSED SESSION**

Chairperson Lynes moved into closed session at 1 p.m.

XII. **ADJOURNMENT**

There being no further business to conduct, the meeting was adjourned at 1:06 p.m.

Jack Ehnes, Chief Executive Officer
and Secretary to the Teachers' Retirement Board

Gary Lynes, Chairperson